

31 March 1967

MEMORANDUM FOR: Chief, Development Staff, TD/NPIC

FROM: Contracting Officer, NPIC

SUBJECT: [] Proposal for Automatic Viewgraph Generators

1. The original fixed price quotation of [] has now been raised by [] on the basis of upward revisions in fixed price OH and G&A rates. There is no way I can prevent this as the original quotation was dated 3 November 1966 and was valid for 60 days only. I will, therefore, require an additional [] to award this contract.

2. An alternative available to you, as previously mentioned to [], would be to convert the proposed contract to a cost type. Because of the difference in OH and G&A rates plus a possible negotiation of an 8% fee as opposed to the fixed price profit of 15% in the current quotation, a reduction could be made that would enable a contract award within the presently approved amount - []. My analysis indicates that, without touching labor hours or material costs, a contract may be negotiated at a figure as low as [] cost, plus a fee of [] or a total of [].

3. It is true that a cost type contract always presents a possibility of an overrun at the end of the contract. However, when it is considered that this contract consists of modifications to standard [] Platemakers the risk may not be as great as in development of a completely new piece of equipment.

4. Use of a fixed price contract gives you protection in that the Contractor must, within the contract price, deliver two pieces of equipment. However, it should be noted that this is non-standard equipment fabricated not to Government specifications but to specifications drawn up by the Contractor as part of his proposal and accordingly subject to possible differences in interpretation. It must be understood that, while the Contractor's

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profit has been negotiated at 15%, under a fixed price contract any possible savings on costs are also translated into profit and occasionally this can result in delivery of minimum or low performance equipment when the items are non-standard. I do not strongly suggest that this will happen as the Contractor's willingness to accept a developmental contract on a fixed price basis indicates that he considers this well within his capabilities.

5. Please advise as to whether you will further fund this contract or whether you consider it desirable to follow the alternative approach outlined above.

Contracting Officer, NPIC

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VUGRAM GENERATOR

[] PROJECT 9619

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1. The overrun in schedule and dollars on Project 9619 is due to the combined impact of the following:

1. The prime reason for the overrun is that a great deal more engineering and design time was necessary than originally estimated to achieve a design which would satisfy the customer's requirements and provide the Government with a more usable piece of equipment.

This is reflected in a 40% decrease in purchased part expenditures but an increase of some 2000 hours in engineering and design labor hours.

The areas requiring change from the modified [] Platemaster concept originally proposed were in providing proper copy board coverage for the magnification ranges required. This requirement necessitated changes in the optics, copy board orientation, and film magazine positioning and extensive re-design and remanufacture of purchased parts.

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2. [] overhead increased from a negotiated rate of 142% with a 13.7% G&A to 150% overhead with a 17% G&A during the span of the contract, producing an added cost impact of []

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1. The Total Estimated Cost Summary for two units is shown on page 3.
The Total Estimated Cost Summary for one unit is shown on page 4.
The Labor Hours Summary for two units is shown on page 5.
An analysis of purchase components, denoting returnable and non-returnable items is shown on pages 6 and 7.